

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7040

BILL NUMBER: HB 1363

NOTE PREPARED: Jan 6, 2012

BILL AMENDED:

SUBJECT: Property Tax Deduction for Farm Security Items.

FIRST AUTHOR: Rep. Knollman

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides a property tax deduction, not to exceed \$25,000 in assessed value per year, relating to secure storage of fertilizers and pesticides that could be used for terrorism or illegal drug manufacturing. It specifies that the deduction is available for: (1) tangible personal property that is: (A) installed or placed in service after March 1, 2012; and (B) used to provide security for a fertilizer or pesticide; or (2) certain chemical additives related to security that are added after March 1, 2012.

It provides that, in addition to filing a certified application statement, a person claiming the deduction must file a certification by the State Chemist that the property for which the deduction is claimed has been installed or placed in service. It specifies that a person may not receive the deduction for security devices and the investment abatement deduction under IC 6-1.1-12.4 for the same property.

Effective Date: Upon passage.

Explanation of State Expenditures: To obtain the deduction, a person must file a certified statement with the county auditor on forms prescribed by the Department of Local Government Finance (DLGF). The DLGF should be able to prescribe the requisite forms given its existing level of budget and resources.

State Chemist's Office: Under current law, the AV of any real property improvements made to comply with the fertilizer storage rules adopted by the State Chemist is entitled to a property tax deduction. The State Chemist's office has to certify the improvements, and it currently processes about five or six a year. The Office stated that a typical application takes about three to four hours to process and, assuming that the certification process would be similar to the current method, it would be able to accommodate any anticipated increase in the number of applications.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill provides a property tax deduction for property (including fences and equipment) that is used to provide security for a fertilizer or pesticide by restricting access to the material, by surveillance, or by detecting unauthorized access. The assessed value (AV) of a chemical added to the fertilizer or pesticide in order to deter its theft also qualifies for the deduction. The total annual deduction may not exceed \$25,000 per facility. The bill applies to property taxes first payable in 2014. A person that qualifies for this deduction under this provision may not also apply for an investment deduction for the same property.

To obtain the deduction, a person must install the farm security device after March 1, 2012, and file a certified statement with the county auditor. In addition to the certified statement, the person must file the certification by the State Chemist that the property for which the deduction is claimed has been installed or placed in service. When the township assessor verifies the statement, the county auditor shall allow the deduction.

This proposal may result in an increase in deductions claimed. Additional deductions reduce the assessed value tax base. This causes a shift of the property tax burden from the taxpayers receiving the deduction to all taxpayers in the form of an increased tax rate. The total amount of the deduction and the potential tax shift cannot be determined at this time.

Circuit Breaker Impact: It is also possible that an increase in tax rates would result in more taxpayers being above the applicable tax cap. This could potentially increase the amount of circuit breaker credits. As a result, total local revenues could possibly decrease. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

State Agencies Affected: Department of Local Government Finance; State Chemist's Office.

Local Agencies Affected: County auditors; Township assessors.

Information Sources: Michael Hancock, Fertilizer Administrator, State Chemist's Office, 765-494-1547.

Fiscal Analyst: David Lusan, 317-232-9592.